

# Disciplinary and Other FINRA Actions

## Firm Expelled, Individual Sanctioned

**PAZ Securities (CRD® #17554, Boca Raton, Florida) and Joseph Mizrahi (CRD #337288, Registered Principal, Boca Raton, Florida).** The firm was expelled from FINRA membership and Mizrahi was barred from association with any FINRA member in any capacity. The U.S. Court of Appeals upheld the SEC's decision to affirm the sanctions that FINRA imposed. The sanctions were based on findings that the firm and Mizrahi failed to respond to FINRA requests for information. **(FINRA Case #C0720030055)**

## Firm Fined, Individual Sanctioned

**Strasbourger, Pearson, Tulcin, Wolff, Inc. (CRD #5133, Garden City, New York) and Michael J. Schumacher (CRD #415895, Registered Principal, Purchase, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$100,000, jointly and severally with Schumacher, and required to retain an independent consultant to conduct a comprehensive review of its policies, procedures and practices to ensure compliance with federal securities laws, New York Stock Exchange (NYSE) and NASD® rules, and to make recommendations to bring the firm into compliance to prevent a recurrence of the violations. Schumacher was suspended from association with any FINRA member in any principal capacity for 30 days and concurrently suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, the firm and Schumacher consented to the described sanctions and to the entry of findings that the firm failed to provide for appropriate procedures and controls and an appropriate system of follow-up and review with respect to its obligations to provide appropriate procedures for supervision of business operations on the NYSE Trading Floor. The findings stated that the firm failed to provide for appropriate procedures and controls and an appropriate system of follow-up and review with respect to its obligations to provide adequate supervision of its sole branch office, review of options accounts by a delegated person; ensure that its operational and regulatory activities were supervised and that it had systems, procedures and staff to follow-up and review all areas of its business activities, including its anti-money laundering (AML) program, suspicious activity reporting and its branch office to ensure compliance with applicable securities regulations and NYSE rules.

## Reported for July 2009

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

The findings also stated that the firm failed to supervise the trading activity of its president and chairman; ensure that electronic communications with the public were reviewed and retained; establish an AML compliance program that detected and caused the reporting of certain transactions; establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder; provide for independent testing for compliance; and designate adequate and trained staff to ensure compliance with the Bank Secrecy Act. The findings included that the firm failed to document error accounts trades that a floor broker made, deliver original or updated options disclosure document prior to newly approved customers or previously approved options accounts, properly record all revenue and expenses on an accrual basis, maintain minimum net capital compliance, implement adequate best execution procedures and conduct a formal analysis of best execution data. FINRA found that the firm employed independent contractors without adequately complying with NYSE regulations, handled options accounts activity in violation of NYSE regulations and failed to comply with the firm element of the continuing education rule. FINRA also found that Schumacher failed to reasonably discharge his supervisory duties as president and chairman, and failed to document error accounts trades that a floor broker made.

Schumacher's suspension in any principal capacity is in effect from July 6, 2009, through August 4, 2009, and his concurrent suspension in any capacity is in effect from July 6, 2009, through July 17, 2009. **(FINRA Case #2007009468801)**

### Firms Fined

**Advanced Equities, Inc. (CRD #35545, Chicago, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to promptly amend registered representatives' Uniform Applications for Securities Industry Registration or Transfer (Forms U4) to report the settlement of a lawsuit, failed to timely submit an amended Uniform Termination Notice for Securities Industry Registration (Form U5) to report an investment-related written complaint against a representative, and failed to timely file FINRA Rule 3070 reports to disclose various reportable events. **(FINRA Case #2008011633601)**

**Ameriprise Advisor Services, Inc. fka H&R Block Financial Advisors, Inc. (CRD #5979, Detroit, Michigan)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,500 and required to revise its written supervisory procedures regarding trade reporting to the Trade Reporting and Compliance Engine™ (TRACE™). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time, reported transactions in TRACE-eligible securities that it was not required to report, and double reported transactions in TRACE-eligible securities. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning

trade reporting to TRACE. (FINRA Case #2007010304501)

**Banca Imi Securities Corp. (CRD #19418, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it incorrectly reported corporate bond transactions to TRACE twice. (FINRA Case #2008011654501)

**Carr Securities Corporation (CRD #1404, Port Washington, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to revise its written supervisory procedures regarding short interest reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported short interest positions incorrectly. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning short interest reporting. (FINRA Case #2006005996101)

**Chicago Investment Group, LLC (CRD #11853, Chicago, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$150,000 and required to certify to FINRA that its AML policies and procedures are in compliance with NASD Rules 3011(a) and 3011(b), and that its system and procedures for trading and market making are reasonably designed to achieve compliance with applicable federal securities laws and FINRA rules; thereafter, the firm is required to certify its compliance quarterly for one year. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain an adequate supervisory system, including written procedures, to supervise the firm's trading and market making. The findings stated that the firm failed to reasonably supervise individuals to detect their manipulations of the price of a thinly traded common stock. The findings also stated that the firm failed to establish and implement AML policies and procedures that could reasonably be expected to detect and cause the reporting of suspicious securities transactions, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder. (FINRA Case #2006006518903)

**Goldman, Sachs & Co. (CRD #361, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported last sale reports of transactions in Over-the-Counter (OTC™) equity securities to the OTC Reporting Facility (OTCRF) that it should not have reported. The findings stated that the firm improperly double-reported numerous last sale reports in national market securities to the NASD/NASDAQ Trade Reporting Facility® (TRF™) nka FINRA/NASDAQ Trade Reporting Facility. (FINRA Case #2008012058201)

**National Financial Services LLC (CRD #13041, Boston, Massachusetts)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, in transactions for or with a

customer, it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings stated that the firm transmitted reports to the Order Audit Trail System™ (OATS™) that contained inaccurate, incomplete or improperly formatted data. The findings also stated that the firm transmitted route or combined order/route reports to OATS indicating that the firm was the destination member firm and the OATS system was unable to link to a corresponding new order the firm transmitted due to inaccurate, incomplete or improperly formatted data. **(FINRA Case #2005001353801)**

**Pennaluna & Company (CRD #11604, Coeur D'Alene, Idaho)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,500 and required to revise its written supervisory procedures regarding trade reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it incorrectly designated last sale reports of transactions in OTC equity securities as ".PRP" to the OTCRF; failed to report the correct execution time to the OTCRF in the same last sale reports; failed to report the correct price of transactions to the OTCRF in last sale reports; and failed to report the correct number of shares to the OTCRF in one last sale report. The findings stated that the firm failed to report the correct symbol indicating the capacity in which it executed transactions in reportable securities to the OTCRF. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning trade reporting. **(FINRA Case #2007008118701)**

**Tejas Securities Group, Inc. (CRD #36705, Austin, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$47,500, ordered to pay \$280, plus interest, in restitution to investors, and to revise its written supervisory procedures regarding order handling, best execution, anti-intimidation/coordination, trade reporting, sales transactions, other trading rules, OATS, and books and records. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct symbol indicating whether transactions were buy, sell, sell short or cross for transactions in reportable securities to the NASD/NASDAQ TRF. The findings stated that the firm failed to report last sale reports of transactions in designated or OTC equity securities to the TRF or the OTCRF; failed to report the correct number of shares and the correct time of execution to the OTCRF in last sale reports of transactions in OTC equity securities; and failed to report the correct execution time in last sale reports of transactions in OTC equity securities to the OTCRF. The findings also stated that the firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. The findings also included that the firm executed short sale orders and failed to properly mark the records as short.

FINRA found that the firm failed to show on brokerage order memoranda the correct capacity, the correct execution time, the time at which orders were amended, the correct entry time, the correct notation of whether an order was buy or sell, and the correct notation of whether the price of one order was market or limit. FINRA also

found that in transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. In addition, FINRA determined that the firm, in a report made publicly available for a calendar quarter, failed to make a complete and accurate report on its routing of non-directed orders in covered securities during that quarter by failing to include a profit-sharing disclosure. Moreover, FINRA found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules addressing order handling, best execution, anti-intimidation/coordination, trade reporting, sales transactions, other trading rules, OATS, and books and records. Furthermore, FINRA found that the firm failed to provide sufficient documentary evidence that it performed supervisory reviews set forth in its written supervisory procedures concerning trade reporting and sales transactions. **(FINRA Case #2007008093501)**

**Wedge Securities, LLC (CRD #126776, Englewood, Colorado)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it disseminated sales literature and a research report that contained statements that were misleading and/or exaggerated and/or failed to provide a sound basis for evaluating the subject company. The findings stated that the firm failed to include the required analyst certification regarding the analyst's compensation in a research report, and failed to include in a clear and prominent manner the certification that the view expressed in the report accurately reflected the analyst's personal views about the subject company. The findings also stated that the firm failed to enforce and maintain a supervisory system, including policies and procedures, reasonably designed to ensure compliance with SEC Regulation AC and NASD Rules 2210 and 2211. **(FINRA Case #2007011191101)**

## Individuals Barred or Suspended

**Curtis Morgan Allen (CRD #1232874, Registered Representative, Shawnee, Kansas)** submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for six months. No monetary sanction was imposed because Allen was granted a discharge in bankruptcy after the events in question. Without admitting or denying the findings, Allen consented to the described sanction and to the entry of findings that he borrowed \$24,815.72 from public customers contrary to his member firm's written procedures forbidding the borrowing or lending of money unless the client is a member of the registered representative's immediate family or the client is a financial institution or other entity or person that regularly engages in financing loans, which these customers were not. The findings stated that Allen failed to repay the loans. The findings also stated that Allen completed and signed site inspection and compliance interview forms for his firm and misrepresented facts on the forms regarding the loans by stating that he had never borrowed money from a client.

The suspension is in effect from May 18, 2009, through November 17, 2009. (FINRA Case #2007010893901)

**Joseph Kesi Aylward (CRD #1127162, Registered Representative, Atlanta, Georgia)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Aylward consented to the described sanction and to the entry of findings that he caused his member firm's books and records to be inaccurate by causing the cost basis of securities positions in customers' accounts to be changed to understate the unrealized losses in each of the positions. The findings stated that Aylward exercised discretion in a customer's account without the customer's written authorization and his member firm's acceptance of the account as discretionary. (FINRA Case #2008014567901)

**David Seth Bard (CRD #2430552, Registered Representative, Buffalo, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Bard's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bard consented to the described sanctions and to the entry of findings that he signed a customer's name to a variable annuity transaction document without the customer's authorization or consent.

The suspension is in effect from May 18, 2009, through August 17, 2009. (FINRA Case #2007011294101)

**Sarah Rebecca Boardman (CRD #4175152, Registered Representative, De Soto, Wisconsin)** was barred from association with any FINRA member in any capacity and ordered to pay \$25,000, plus interest, in restitution to a firm customer. The sanctions were based on findings that Boardman borrowed \$25,000 from the customer contrary to her member firm's written procedures prohibiting a representative from borrowing from a customer unless the two are related. The findings stated that Boardman was not related to the customer and failed to repay the loan. The findings also stated that Boardman signed questionnaires certifying that she was in compliance with the firm's compliance manual. The findings also included that Boardman failed to respond to FINRA requests for information. (FINRA Case #2007010778801)

**Dustin Andrew Boeckel (CRD #4892339, Registered Representative, York, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Boeckel's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Boeckel consented to the described sanctions and to the entry of findings that, contrary to his member firm's policy and approval, he borrowed \$5,000 from a relative, who was also a customer of the firm, and signed the relative's name on numerous checks without authority.



The suspension is in effect from June 1, 2009, through May 31, 2010. **(FINRA Case #2007010348001)**

**Robert Michael Bonner (CRD #1332566, Registered Representative, Polson, Montana)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Bonner consented to the described sanction and to the entry of findings that, while registered with member firms, he engaged in outside business activities, for compensation, without prompt written notice to the firms. The findings stated that Bonner completed an Outside Activities Disclosure Form, which one firm required, and did not disclose his outside business activities. The findings also stated that Bonner engaged in private securities transactions, for compensation, without prompt written notice to, and approval from, his member firms. The findings also included that Bonner borrowed \$900,000 from firm customers when firm procedures prohibited such borrowing. **(FINRA Case #2007011402701)**

**Thomas Campbell (CRD #831440, Registered Representative, West Des Moines, Iowa)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Campbell's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Campbell consented to the described sanctions and to the entry of findings that he engaged in outside business activities, for compensation, and failed to notify his firm in writing. The findings stated that Campbell signed firm forms to indicate that he understood his firm's policies on outside business activities and was not engaged in any such activity.

The suspension is in effect from June 1, 2009, through November 30, 2010. **(FINRA Case# 2007011120501)**

**Martin Paul Clark (CRD #5507990, Associated Person, Sandy, Oregon)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Clark's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Clark consented to the described sanctions and to the entry of findings that he willfully misrepresented material facts on a Form U4 by failing to disclose that he had been charged with two misdemeanors involving the wrongful taking of property.

The suspension is in effect from May 18, 2009, through November 17, 2009. **(FINRA Case #2008013304001)**

**William Edward Cline (CRD #1262363, Registered Principal, Pittsburgh, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Cline consented to the described sanction and to the entry of findings that he engaged in private securities transactions without prior written notice to, or prior approval from, his member firm. The findings stated that Cline engaged in outside

business activities without prompt written notice to his firm. The findings also stated that Cline provided false information about his private securities transactions and outside business activities on firm compliance questionnaires. **(FINRA Case #2007011308401)**

**Douglas Franklin Conrod II (CRD #2457046, Registered Representative, Greenwich, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Conrod consented to the described sanctions and to the entry of findings that, without his member firm's knowledge or permission, he used its internal information, including some confidential and proprietary materials for a proposed hedge fund; contacted potential investors, including some firm institutional investors, regarding possible interest in investing in the proposed hedge fund; and used the firm's name in the proposed hedge fund's business plan in a manner which could be reasonably misinterpreted to indicate that the firm was aware of and/or approved of the proposed hedge fund. The findings stated that the materials Conrod created and utilized in communications with the public for the proposed hedge fund were not approved by a registered firm principal prior to use, were not fair and balanced, and contained statements that were exaggerated and/or unwarranted and contained promises of specific results, and/or predictions or projections of investment performance. The findings also stated that the email correspondence Conrod utilized with the public contained false and/or misleading statements or claims.

The suspension is in effect from June 15, 2009, through September 14, 2009. **(FINRA Case #2007009440701)**

**Louis Andrew Cyr (CRD #2655792, Registered Representative, Jupiter, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Cyr's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Cyr consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4 or to report the matter to his supervisor.

The suspension is in effect from June 1, 2009, through August 31, 2009. **(FINRA Case #2008013326901)**

**Christopher John Decker (CRD #4233141, Registered Representative, Kettering, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Decker consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information and documents. **(FINRA Case #2008012006001)**



**Jason John DeFelice (CRD #2748462, Registered Representative, Mount Pleasant, South Carolina)** submitted an Offer of Settlement in which he was fined \$70,550, \$50,550 of which was partial disgorgement of commissions, and suspended from association with any FINRA member in any capacity for two months. In light of DeFelice's financial status, the fine was \$70,550. Without admitting or denying the allegations, DeFelice consented to the described sanctions and to the entry of findings that he engaged in a private placement offering of interests in a hedge fund through an Offering Memorandum that was materially false and misleading. The findings stated that DeFelice engaged in highly aggressive short-term trading in low-priced equity securities in the hedge fund account, generating substantial commissions. The findings also stated that DeFelice's trading strategy was unsuitable, excessive and inconsistent with the disclosures in the Offering Memorandum. The findings also included that DeFelice, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange, knowingly or recklessly employed devices, schemes or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; engaged in acts, practices or courses of business which operated, or would operate, as a fraud or deceit upon any person; or effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance. FINRA found that by effecting a highly aggressive short-term strategy, DeFelice acted with intent to defraud or with reckless disregard for the customers' best interests for the purpose of generating commissions, which constituted churning.

The suspension is in effect from June 29, 2009, through August 28, 2009. **(FINRA Case #E072003011204)**

**Joseph Stephen Fabian (CRD #2580502, Registered Principal, Gobles, Michigan)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Fabian failed to respond to a FINRA request for information. The findings stated that Fabian received \$104,000 from an individual for the purchase of real estate and that the individual requested documentation of his agreement with Fabian. The findings stated that Fabian falsified a document to create the appearance that the funds paid to him were invested in real estate, but there was no evidence regarding what Fabian did with the money, although he eventually repaid the individual. The findings also stated that Fabian engaged in outside business activities, for compensation, without prior written notice to his member firm. **(FINRA Case #2007008923301)**

**Guy William Gane Jr. (CRD #703273, Registered Representative, North Tonawanda, New York)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Gane consented to the described sanction and to the entry of findings that he participated in private securities transactions involving the sale of \$3.8 million of convertible debentures issued by affiliated entities he controlled, without prior written notice to, or prior approval from, his member firms. The findings stated that Gane failed to appear for a FINRA on-the-record interview. **(FINRA Case #2006006147001)**

**Adam Phillip Gerber (CRD #5506987, Associated Person, Roswell, Georgia)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Gerber consented to the described sanction and to the entry of findings that, while employed with a member firm, he found a registered representative's bank account checkbook, took checks from the checkbook, made the checks payable to himself, forged the registered representative's signature on the checks, cashed the checks and converted the proceeds of \$7,360 for his own use and benefit. The findings stated that Gerber failed to respond to FINRA requests for information. **(FINRA Case #2008014493601)**

**Kathleen Ann Glaser (CRD #4431300, Associated Person, Evansville, Indiana)** submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Glaser consented to the described sanction and to the entry of findings that she misappropriated funds from a customer's account for her own use and benefit. The findings stated that Glaser, who was responsible for establishing direct payments and paying some of the customer's monthly bills, set up an account on a non-firm Web site that was an online bill paying payment service without the customer's authorization. The findings also stated that Glaser used this online service to direct unauthorized payments totaling \$8,679.27 from the customer's securities account to Glaser's creditors to pay for personal expenses. **(FINRA Case #2008012940101)**

**Joseph Benjamin Gruber (CRD #1351241, Registered Principal, Marietta, Georgia) and Judy Dian Helms (CRD #4705083, Associated Person, Kennesaw, Georgia)** submitted Letters of Acceptance, Waiver, and Consent in which Gruber was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Helms was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. Each fine must be paid either immediately upon reassociation with a FINRA member firm following his or her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gruber and Helms consented to the described sanctions and to the entry of findings that Gruber permitted Helms to complete his member firm's Firm Element Web-based courses and accompanying proficiency tests on his behalf. The findings stated that Helms passed the associated proficiency tests for Gruber.

Gruber's suspension is in effect from June 1, 2009, through August 31, 2009. Helms' suspension was in effect from June 1, 2009, through June 30, 2009. **(FINRA Cases #2008013168001/#2008013168002)**

**Iftikhar Ul Haq (CRD #4212059, Registered Representative, Toms River, New Jersey)** was barred from association with any FINRA member in any capacity and ordered to pay \$66,184.73, plus interest, in restitution to a customer. The National Adjudicatory Council (NAC) imposed the sanctions following an appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Haq engaged in unauthorized transactions in a customer's account without the customer's knowledge or authorization, and also on the NAC's finding that Haq engaged in unsuitable, excessive trading in the customer's account. **(FINRA Case #ELI2004026701)**

**Richard Wayne Hill (CRD #2033806, Registered Representative, Wellington, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hill consented to the described sanction and to the entry of findings that he issued checks totaling \$479,450 from customer accounts to corporate payees representing that he was purchasing race horses for the customers; but, instead, converted \$350,000 to his own use by arranging for the corporate payees to issue checks made payable to him for the same dollar amounts, less a small administrative fee. The findings stated that Hill settled a customer complaint for \$12,000 and failed to inform his member firm about the complaint. **(FINRA Case #2008013715501)**

**Steven Jones (CRD #2737948, Registered Principal, Valley Stream, New York)** submitted an Offer of Settlement in which he was fined \$7,500, suspended from association with any FINRA member in any capacity for 18 months, and ordered to pay \$70,106.90, plus interest, in restitution to customers. The fine and restitution amounts must be paid either immediately upon Jones' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Jones consented to the described sanctions and to the entry of findings that he engaged in excessive and unsuitable trading in customers' accounts. The findings stated that the trading was excessive and unsuitable in light of the customers' objectives, financial situations and needs. The findings also stated that Jones settled a customer complaint for \$1,600 without his employers' knowledge or consent.

The suspension is in effect from June 15, 2009, through December 14, 2010. **(FINRA Case #2006005683901)**

**Jon Hadland Josephson (CRD #2959512, Registered Representative, Vancouver, Washington)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Josephson consented to the described sanction and to the entry of findings that he engaged in unauthorized transactions in a relative's variable annuity account by submitting surrender or withdrawal requests through his member firm to the issuer of the variable annuity, which caused the liquidation of \$48,716.81 from the account without the relative's knowledge or consent, and in the absence of written or oral authorization to exercise discretion in connection with the variable annuity. The findings stated that Josephson received checks payable to his relative in the total amount of \$45,230.15 as a result of the unauthorized partial liquidations, negotiated the checks and spent the funds without the relative's knowledge or consent in a manner that the relative had not intended or authorized. The findings also stated that Josephson, without his relative's knowledge and consent, affixed, or caused to be affixed, her signature to surrender or withdrawal request forms and as endorsements to checks payable to her. The findings also included that Josephson failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007008238101)**

**Samuel Lionel Levitas II (CRD #2366689, Registered Representative, Melville, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Levitas' reassociation with a

FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Levitas consented to the described sanctions and to the entry of findings that he failed to timely respond to FINRA requests for information.

The suspension is in effect from June 15, 2009, through December 14, 2010. **(FINRA Case #2007011167102)**

**David Robert Lewandowski (CRD #1246177, Registered Representative, Lockport, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Lewandowski consented to the described sanctions and to the entry of findings that he engaged in outside business activities, and received \$442,266.34 in compensation, without prompt written notice to his member firm. The findings stated that Lewandowski falsely asserted on annual certification statements that he was not engaged in any undisclosed outside business activities.

The suspension is in effect from June 1, 2009, through November 30, 2009. **(FINRA Case #2007011817201)**

**Todd M. Matney (CRD #5502210, Associated Person, Fairport, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Matney consented to the described sanction and to the entry of findings that he willfully failed to disclose material information on his Form U4 and failed to respond to FINRA requests for information. **(FINRA Case #2008013330101)**

**John Joseph Mazzella (CRD #4893599, Registered Representative, Yonkers, New York)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Mazzella submitted false preliminary insurance applications for fictitious customers and a false preliminary insurance application for a customer without the customer's authorization or consent. The findings stated that, as a result of submitting false and unauthorized applications, Mazzella received \$3,379.28 in commissions from the insurance company. The findings also stated that Mazzella failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007010339901)**

**Ruby Louise Melton (CRD #5529558, Associated Person, Pomfret, Maryland)** submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Melton consented to the described sanction and to the entry of findings that she willfully failed to disclose material information on her Form U4 and failed to respond to FINRA requests for information. **(FINRA Case #2008014533101)**

**Robert Vincent Mitchell (CRD #1255811, Registered Principal, South Park, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Mitchell's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or

request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mitchell consented to the described sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose material information.

The suspension was in effect from June 1, 2009, through June 30, 2009. **(FINRA Case #2008014596501)**

**Deborah Jean Nehmad (CRD #2827629, Registered Representative, Egg Harbor Township, New Jersey)** submitted an Offer of Settlement in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Nehmad's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Nehmad consented to the described sanctions and to the entry of findings that, in connection with the purchase of a variable annuity, she created a handwritten statement and affixed a photocopy of a customer's signature to make it appear that the customer had signed the statement acknowledging the percentage penalties she would incur for early withdrawals. The findings stated that Nehmad presented the statement to her member firm, falsely representing it to be a genuine copy of a document the customer had signed.

The suspension was in effect from June 15, 2009, through June 14, 2010. **(FINRA Case #2008012884501)**

**Steve T. Newman (CRD #4778356, Registered Representative, San Antonio, Texas)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Newman consented to the described sanction and to the entry of findings that he received insurance premium payments from an insurance client, in the aggregate amount of \$24,353, and rather than depositing the checks in an account for his member firm or submitting them to the firm, he deposited the checks into an account over which he maintained control and thereafter misappropriated the funds, using a portion of the funds for his own use and benefit. The findings stated that Newman failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007009893501)**

**Anthony Peter Novella Jr. (CRD #2101248, Registered Representative, Bedminster, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Novella's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Novella consented to the described sanctions and to the entry of findings that he submitted, or caused to be submitted, a falsified request for reimbursement for \$9,234.49 of client-related expenses.

The suspension is in effect from June 1, 2009, through August 31, 2009. **(FINRA Case #2007009093601)**

**Brad Niel Nussbaum (CRD #2770338, Registered Principal, West Orange, New Jersey)** was barred from association with any FINRA member in any capacity for failure to respond to FINRA requests for documents and information. Nussbaum was also fined \$10,000 and suspended from association with any FINRA member in any capacity for failing to honor an Arbitration Settlement Agreement. The suspension is in effect until the Settlement Agreement is paid or otherwise satisfied in full, plus an additional 30 business days. If Nussbaum fails to satisfy the amount due under the Settlement Agreement within 24 months of this decision, the suspension shall convert to a bar. The fine is due and payable if and when Nussbaum applies to re-enter the securities industry.

The suspension commenced on June 1, 2009. **(FINRA Case #2008012071301)**

**Jason Todd Owenson (CRD #5412486, Associated Person, Baltimore, Maryland)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Owenson consented to the described sanction and to the entry of findings that, after failing a Series 7 qualification exam, he induced a test center employee to provide him with a written exam score report that falsely reflected that he had passed, which he then gave to his member firm purporting it reflected his actual exam score. The findings stated that Owenson provided FINRA with materially false information, failed to provide other requested documents and provided false testimony under oath. The findings also stated that Owenson submitted a fictitious letter to FINRA on a former employer's stationery purportedly signed by an employee of that company which contained fabricated information. **(FINRA Case #2008012257701)**

**Kalpesh B. Patel (CRD #5188162, Registered Representative, Hanover Park, Illinois)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Patel failed to respond to FINRA requests for information. **(FINRA Case #2007011295301)**

**Andrew William Quinn (CRD #4092270, Registered Supervisor, Redlands, California)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Quinn sent correspondence on his member firm's letterhead that contained misleading and unwarranted statements concerning a potential investment. The findings stated that Quinn ignored red flags of possible fraud and failed to submit the letters for required supervisory approval, which exposed the firm to potential liability. **(FINRA Case #2005003295801)**

**Jason Robert Salzgeber (CRD #4607563, Registered Representative, Columbus, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Salzgeber consented to the described sanction and to the entry of findings that he signed a customer's signature on a term life conversion form without the customer's knowledge, authorization or consent, and submitted it to the issuer, which caused the customer's term life insurance policy to be converted to a whole life insurance policy. **(FINRA Case #2008012881101)**



**Leonard Duane Sellers (CRD #2306259, Registered Principal, Kenosha, Wisconsin)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Sellers' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sellers consented to the described sanctions and to the entry of findings that he borrowed \$92,200 from a customer who surrendered a variable annuity to fund the loan, resulting in a \$7,000 surrender charge. The findings stated that when Sellers received the loan, his member firm had written procedures forbidding registered representatives from borrowing money from, or lending money to, customers.

The suspension is in effect from May 18, 2009, through November 17, 2009. (FINRA Case #2007009024401)

**Fabian Cesar Seyller (CRD #1760788, Registered Representative, Belvidere, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Seyller's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Seyller consented to the described sanctions and to the entry of findings that he engaged in outside business activities, and received \$11,925.66 in compensation, without prompt written notice to his member firm. The findings stated that Seyller falsely asserted on an annual certification statement that he was not engaged in any undisclosed outside business activities and did not receive any referral fees. The findings also stated that Seyller falsely denied any involvement with equity indexed annuity sales when a supervisor directly questioned him.

The suspension is in effect from May 18, 2009, through November 17, 2009. (FINRA Case #2007009359601)

**Donna Marie Smith (CRD #4450528, Registered Representative, Norton, Ohio)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Smith embezzled \$82,975 from her employer by making unauthorized withdrawals from general ledger accounts at the branch bank where Smith worked, depositing the funds into her personal checking account and using the funds for her personal use. The findings stated that Smith failed to respond to FINRA's requests for information. (FINRA Case #2007010765801)

**Paul Anthony Verostko (CRD #1814206, Registered Representative, Ruffs Dale, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Verostko's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Verostko consented to the described sanctions and to the entry of findings that he sold fixed annuities to customers without

prompt written notice to his member firm of his outside business activities. The findings stated that Verostko could have sold the fixed annuities through his member firm; however, by conducting the transactions away from the firm, he received \$100,000 more in commissions than he would have if the annuities had been sold through the firm. The findings also stated that Verostko falsely certified to the firm that he was not engaged in any outside business activities.

The suspension is in effect from May 18, 2009, through November 17, 2010. **(FINRA Case #2008012540801)**

**Kim Merle Victor (CRD #1239530, Registered Principal, Redmond, Oregon)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Victor consented to the described sanction and to the entry of findings that he signed customers' names, without their knowledge, authorization or consent, onto account worksheets and mutual fund individual transfer forms, and submitted the documents to his member firm and to the mutual fund issuers without disclosing that he had signed the customers' names. The findings stated that Victor initially admitted to FINRA that he had signed some of the documents but later admitted that he had falsified all the customer signatures. **(FINRA Case #2008014374301)**

**William Edward Wainess (CRD #870265, Registered Representative, La Jolla, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wainess consented to the described sanction and to the entry of findings that he failed to provide additional information and documents that FINRA requested. **(FINRA Case # 2008014507601)**

**Robert Bruce Williams (CRD #4384949, Registered Representative, Streamwood, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Williams' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Williams consented to the described sanctions and to the entry of findings that he signed a public customer's name on forms for the transfer of funds from an annuity to a mutual fund and submitted the forms to his member firm to expedite the transfer, without the customer's knowledge or approval, which was contrary to his firm's written supervisory procedures.

The suspension is in effect from May 18, 2009, through August 17, 2009. **(FINRA Case #2007011278401)**

## Individual Fined

**Brad C. Brooks (CRD #1584633, Registered Principal, Plano, Texas)** submitted a Letter of Acceptance, Waiver, and Consent in which he was censured and fined \$12,500. Without admitting or denying the findings, Brooks consented to the described sanctions and to the entry of findings that a member firm, acting through Brooks, commenced a “minimum-maximum” offering conducted by a company and participated in a best efforts “minimum-maximum” offering conducted by another company, and failed to ensure that investor funds from both offerings were deposited into qualified escrow accounts. The findings stated that the firm, acting through Brooks, accepted investor checks for one of the offerings, totaling \$145,000, and forwarded the checks directly to the issuer prior to the minimum offering amount being raised and released funds from the escrow account prior to the minimum offering amount being raised; thereby rendering the representation in the offering memorandum false. The findings also stated that, in connection with these issues, the firm, acting through Brooks, lost its exemption to SEC Rule 15c3-3 by failing to properly escrow funds received from each offering and, by releasing funds from one offering to the issuer prior to minimum amount being raised, causing the firm to be subject to the full provisions of SEC Rule 15c3-3 and thus requiring the firm to perform reserve computations and make deposits into a special reserve bank account for the exclusive benefit of customers of the offerings, which it failed to do. The findings also included that the firm, acting through Brooks, conducted a securities business while failing to maintain its required minimum net capital. FINRA found that the firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules regarding contingent offerings. **(FINRA Case #2007007169401)**

## Decisions Issued

The Office of Hearing Officers (OHO) issued the following decisions, which have been appealed to or called for review by the NAC as of May 31, 2009. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future FINRA Notices.

**Michael Lee Bullock (CRD #35037, Registered Principal, Westlake Village, California)** was fined \$50,000, suspended from association with any FINRA member in any capacity for six months, suspended from association with any FINRA member in any principal capacity for six additional months, to run consecutively with the suspension in any capacity, and ordered to requalify as a principal before acting in a principal capacity. The sanctions were based on findings that Bullock accepted directed brokerage payments, accepted payments directly from an investment company (someone other than the member firm with which he was associated) and made misrepresentations to a customer. The findings stated that Bullock accepted a \$20,807.32 payment directly from the investment company, failed to notify his firm that he had received the payment, and also failed to notify his firm that he had received double payment after

his firm paid him commissions for the same amount. The findings also stated that Bullock failed to disclose the directed brokerage arrangement and potential bias to his clients, and that his failure to disclose was deceptive because he was advising his clients on the selection of mutual funds. The findings also stated that Bullock made material misrepresentations to one of his clients in response to requests for information.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2005003437102)**

**Valerie Elaine King (CRD #3086903, Registered Principal, Milwaukee, Wisconsin)** was fined \$5,000 and suspended from association with any FINRA member in any capacity for two years for two concurrent terms. The fine is due and payable when King returns to the securities industry. The sanctions were based on findings that King willfully failed to amend her Form U4 with material information, and failed to fully and timely respond to FINRA requests for information and documents.

This decision has been appealed to the NAC. The sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2007010236401)**

## Complaints Filed

**FINRA issued the following complaint. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.**

**Chicago Investment Group, LLC (CRD #11853, Chicago, Illinois)** was named as a respondent in a FINRA complaint alleging that the firm executed collateralized mortgage obligation (CMO) riskless principal transactions and charged customers markups that were not fair and reasonable. The complaint alleges that the firm, acting through its president, failed to establish and maintain an adequate supervisory system, including written procedures, and otherwise failed to supervise to ensure that it and its registered representatives charged markups on CMO transactions that were fair and reasonable. The complaint also alleges that the firm executed equity security transactions for customers and charged markups, markdowns or commissions that were not fair and reasonable. The complaint further alleges that the firm failed to timely and accurately report TRACE-eligible securities. In addition, the complaint alleges that the firm failed to establish and maintain an adequate supervisory system, including written procedures, reasonably designed to ensure that it and its registered representatives charged markups, markdowns and commissions on equity transactions that were fair and reasonable, and that TRACE-eligible securities transactions were timely and accurately reported. **(FINRA Case #2007007329501)**

**Marshall Earl Miller (CRD #1512527, Registered Representative, Maumelle, Arkansas)** was named as a respondent in a FINRA complaint alleging that he engaged in unsuitable and excessive trading in customers' accounts, resulting in significant commissions for him and losses for his customers. The complaint alleges that Miller recommended and effected transactions in customers' accounts without having reasonable grounds for believing that such transactions were suitable for his customers in view of the size and frequency of the transactions, the transaction costs incurred, the nature of the accounts, and the customers' objectives and needs. The complaint also alleges that Miller engaged in a pattern of active, short-term trading with little or no economic benefit for his customers. **(FINRA Case #2007009413701)**

**David Supercinski (CRD #1125410, Registered Representative, Aledo, Texas)** was named as a respondent in a FINRA complaint alleging that he forged customers' signatures to variable annuity applications and other documents without their prior knowledge or consent. The complaint alleges that, without the customer's prior knowledge or consent, Supercinski falsified documentation, which resulted in an unauthorized transfer of assets and in the purchase of a variable annuity for a customer, where he was identified on the variable annuity statement as the representative. The complaint also alleges that Supercinski failed to respond to FINRA requests for information and documents, and to appear for an on-the-record interview. **(FINRA Case #2007008208701)**

**Brian M. Wurdemann (CRD #4206425, Registered Representative, Chatham, New Jersey)** was named as a respondent in a FINRA complaint alleging that he recommended and effected numerous covered call options transactions in customers' accounts, which were unsuitable in view of the customers' investment objectives, investment experience and circumstances. The complaint alleges that Wurdemann failed to adequately explain to the customers the risks associated with the covered call writing strategy that he recommended, implemented and carried out in their accounts. The complaint also alleges that Wurdemann created and sent to a customer false, exaggerated, unwarranted or misleading communications regarding the apparent income the customer was generating from the covered calls written in his account. **(FINRA Case #2007009461301)**

**Firm Expelled for Failure to Pay Fines  
and/or Costs Pursuant to FINRA  
Rule 8320**

**Fox & Company Investments Inc.**  
Scottsdale, Arizona  
(May 14, 2009)

**Firm Suspended for Failure to Supply  
Financial Information Pursuant to  
FINRA Rule 9552**

(The date the suspension began is  
listed after the entry. If the suspension  
has been lifted, the date follows the  
suspension date.)

**MacMar Investment Corporation**  
Akron, Ohio  
(May 20, 2009)

**Individual Suspended for Failure to  
Pay Arbitration Fees Pursuant to  
FINRA Rule 9553**

(The date the suspension began is  
listed after the entry. If the suspension  
has been lifted, the date follows the  
suspension date.)

**Bernard Wayne Bunning**  
Granite Bay, California  
(May 28, 2009)

**Individuals Barred Pursuant to  
FINRA Rule 9552(h)**

(If the bar has been vacated, the  
date follows the bar date.)

**Stephen Joel Glantz**  
Bentleyville, Ohio  
(May 27, 2009)

**Joseph William Hughes**  
Stewartville, Minnesota  
(May 18, 2009)

**Donald Richard Marshall**  
Sun City West, Arizona  
(May 8, 2009)

**Kevin P. Paris**  
Dallas, Texas  
(May 11, 2009)

**Stephen M. Strauss**  
Calabasas, California  
(May 11, 2009)

**Aaron Michael Thomas**  
Pomona, California  
(May 4, 2009)

**John Edward Underwood**  
Jonesboro, Georgia  
(May 4, 2009)



**Individuals Suspended Pursuant to  
FINRA Rule 9552(d)**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

**Stephanie Hatten Clark**  
Brandon, Mississippi  
(May 18, 2009)

**John Vincent Gordy**  
Santa Monica, California  
(August 11, 2008 – May 28, 2009)

**Robert Laurence Tucker**  
Pompano Beach, Florida  
(May 15, 2009)

**Individuals Suspended for Failure to  
Comply with an Arbitration Award or  
Settlement Agreement Pursuant to  
FINRA Rule 9554**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

**Jesse Gomez Jr.**  
Fresno, California  
(May 21, 2009)

**Derek Roy Kent**  
Franktown, Colorado  
(May 13, 2009)

**Dennis Leslie Marlow**  
Indian Ridge, California  
(May 28, 2009)

**Chanse Keith Menendez Sr.**  
Hauppauge, New York  
(May 8, 2009)

**Shawn Emerson Vincze**  
Norwalk, Connecticut  
(May 28, 2009)

## **FINRA Fines Wachovia Securities \$1.4 Million for Prospectus Delivery Failures, Related Supervisory Violations**

### **Firm Also Fined for Failing to Have Adequate Supervisory System to Monitor Submission of Information to FINRA**

The Financial Industry Regulatory Authority (FINRA) has fined Wachovia Securities, LLC of St. Louis \$1.4 million for its failure to deliver prospectuses and product descriptions to customers who purchased various investment products from July 2003 through December 2004 and for related supervisory failures.

FINRA found widespread deficiencies relating to the delivery of prospectuses in connection with certain classes of securities: exchange-traded funds (ETFs), collateral mortgage obligations (CMOs), auction market preferred securities, corporate debt securities, preferred stocks, mutual funds, alternative investment securities, equity syndicate initial public offerings (IPOs) and secondary purchases of equity non-syndicate initial public offerings.

“Disclosure of product information to the public is of paramount importance,” said Susan L. Merrill, FINRA Executive Vice President and Chief of Enforcement. “When a firm fails to provide prospectuses and other offering documents, it deprives the investing public of information valuable in making informed investment decisions. Equally troubling were firm supervisory failures that caused a failure to provide FINRA with timely and accurate information.”

FINRA’s investigation showed that the firm failed to deliver the required prospectuses to customers in approximately 6,000 of approximately 22,000 transactions effected between July 2003 and December 2004. The market value of these 6,000 transactions was approximately \$256 million.

The firm’s failures to deliver prospectuses resulted from multiple causes, including coding errors, failures by certain business units to notify the firm’s operations department that a prospectus was required to be delivered, and a failure to monitor and supervise the activities of its outside vendor contracted to deliver the prospectuses. FINRA also found that Wachovia Securities had failed to have adequate supervisory systems and policies and procedures in place to ensure that customers who purchased these investment products received prospectuses.

During the period involved, broker-dealers were required by federal securities laws and FINRA rules to deliver hard-copy prospectuses to prospective investors. On Dec. 1, 2005, the Securities and Exchange Commission adopted a new set of prospectus delivery rules that established an “access equals delivery” standard for many, but not all, securities. Under that standard, if an issuer posts a prospectus online for easy investor access, broker-dealers are not required to provide a final prospectus with confirmation for certain securities transactions. But the new access equals delivery rules do not apply to mutual funds, ETFs and certain other securities issued by investment companies.

In settling this matter, Wachovia Securities neither admitted nor denied the charges, but consented to the entry of FINRA's findings. As part of the settlement, a senior officer of the firm will certify that it has adopted and implemented systems and procedures reasonably designed to achieve compliance with federal securities laws and FINRA rules applicable to the delivery of prospectuses and product descriptions.

At the time of the activity at issue, Wachovia Securities, LLC was a subsidiary and non-bank affiliate of Wachovia Corporation. On Jan. 1, 2009, Wachovia Corporation merged with Wells Fargo & Company.

## **RD Capital Group and Firm President Ordered to Pay \$1 Million in Fines, Restitution for Fraudulent Markups of U.S. Treasury STRIPS**

### **Firm President is Also Suspended**

The Financial Industry Regulatory Authority (FINRA) has ordered Ramon Luis Dominguez, President of RD Capital Group in Puerto Rico, to pay restitution of \$950,000 plus interest to three customers victimized when Dominguez and the firm charged undisclosed, excessive and fraudulent markups on the sale of United States Treasury STRIPS.

Dominguez and the firm were fined \$50,000. Dominguez was suspended as a principal for 30 days and in all capacities for five business days. Dominguez and the firm agreed to the sanctions to resolve charges first brought against them in a FINRA complaint in November 2007.

"Brokers are required to charge fair commissions and mark-ups when filling customer orders, taking into account all relevant circumstances associated with the transactions," said Susan L. Merrill, FINRA Executive Vice President and Chief of Enforcement. "The undisclosed markups charged in this case—which involved U.S. Treasuries, the most liquid securities available in the market—were so excessive as to be fraudulent."

FINRA found that between August 2005 and October 2005, RD Capital and Dominguez sold over \$34 million in U.S. Treasury STRIPS to the three customers, charging total markups of \$1,289,727. STRIPS, an acronym for Separate Trading of Registered Interest and Principal Securities, are zero-coupon U.S. Treasury fixed-income securities generally sold at a significant discount to face value. FINRA found that Dominguez failed to disclose to his customers the amounts of the markups, which ranged from 3.5 percent to 6.2 percent. These markups were excessive and fraudulent because the amount charged was greater than the amount warranted by market conditions, the cost of executing the transactions and the value of the services rendered to the customers.

FINRA rules require firms to ensure that customers are fairly charged for these types of transactions, taking into consideration all relevant factors, including the expense associated with effectuating the transaction; the reasonable profit earned by the broker or dealer; the expertise provided by the broker or dealer; the total dollar amount of the transaction; the availability of the financial product in the market; the price or yield of the instrument; the resulting yield after the subtraction of the markup compared to the yield on other securities of comparable quality, maturity, availability, and risk; the role played by the broker or dealer.

In concluding these settlements, RD Capital and Dominguez neither admitted nor denied the allegations in the complaint.

The suspension in any principal capacity was in effect from May 18, 2009, through June 16, 2009. The suspension in any capacity was in effect from May 18, 2009, through May 22, 2009.

## **FINRA Expels Kirlin Securities, Bars co-CEO and Head Trader for Market Manipulation of Parent Company Stock**

### **CEO Forged Parents' Signatures on Document, Kirlin Failed to Provide Best Execution**

FINRA announced that its National Adjudicatory Council (NAC) has expelled Kirlin Securities of Syosset, NY, (a wholly owned subsidiary of Kirlin Holding Corporation, nka Zen Holdings Corp.) and barred two Kirlin officials — Anthony Kirincic, the firms' co-CEO and largest shareholder, and Andrew Israel, Kirlin's head trader — from the securities industry for engaging in a manipulative trading scheme to artificially inflate the price of Kirlin Holding stock, which was then trading on the Nasdaq National Market (KILN, now ZNHL.PK in the Pink Sheets).

The NAC found that the purpose of the scheme was to increase the price of KILN to \$1.00 a share or higher for 10 consecutive trading days, thereby avoiding a delisting from the Nasdaq National Market. The NAC also found that Kirincic forged his parents' signatures on stock certificates and other documents, in part, to generate funds to carry out the manipulation scheme. Additionally, the NAC found that Kirlin Securities, Israel and David Lindner, then the co-CEO of Kirlin Holding and Kirlin Securities, failed to obtain best execution on a customer order of KILN during the same period.

The NAC suspended Lindner for one year, ordered that he make restitution to the customer and that he retake and pass qualification examinations to remain registered as a broker.

According to the NAC ruling, Kirincic learned in February 2002 that KILN would be delisted from the Nasdaq National Market unless, within 90 days, its stock price increased to and remained above \$1.00 per share for 10 consecutive trading days. In response, Kirincic and Israel began a scheme to increase the stock price of KILN by entering large and frequent purchase orders through Kirincic's sister's account, which Kirincic controlled, at prices in excess of the inside bid. After placing orders, Kirincic often cancelled those that had been only partially filled and replaced them with

successively higher priced purchase orders in an effort to bid up the price of the security. During the manipulative period, more than 90 percent of the total volume of KILN trades was executed at Kirlin or by other firms in connection with orders for Kirincic's relatives or other Kirlin customers. Kirlin was therefore found to have dominated and controlled the thinly traded market for KILN during the period of manipulation.

Their scheme succeeded in raising the price of Kirlin Holding's common stock from 64 cents per share on March 18, 2002, to more than \$1.00 per share on April 2, 2002, despite an absence of any news or other apparent reason for the company's stock price to increase. After April 2, 2002, Kirlin, Kirincic and Israel successfully maintained KILN's price at or over \$1.00 per share for at least 10 trading days, using the same manipulative methods. On April 18, 2002, Nasdaq informed Kirlin Holding that it had satisfied the market's listing requirements by having its stock price exceed \$1.00 for 10 consecutive trading days and therefore the stock would not be delisted.

The NAC also found that on April 22, 2002, while KILN was still trading at more than \$1.00 per share, Kirlin Securities, through Lindner and Israel, executed a sale of a customer's shares in KILN at \$.80 per share in a transaction with Kirlin Holding. At the time of this trade, the inside bid for the stock was \$1.04 per share and two of Kirincic's own relatives had sold their Kirlin Holding's stock for \$1.05 per share. The NAC ruled that this violated the obligation for the firm, Lindner and Israel to achieve best execution for their customer's order.

In January 2005, Kirlin Holding ceased having its stock listed on Nasdaq Stock Market and ceased filing periodic reports under the federal securities laws. In August 2008, Kirlin Holding changed its name to Zen Holdings Corp. and changed its stock symbol to ZNHL. Its stock is currently quoted in the Pink Sheets.

The NAC ruling upholds a November 2007 ruling by a FINRA Hearing Panel expelling the firm and barring Kirincic and Israel. The NAC's decision reduced the sanction for Lindner from a permanent bar to a one-year suspension, payment of restitution and requalification as a broker. FINRA's Enforcement Department first brought the charges in this matter in November 2005.

The NAC is a 14-person committee composed of seven industry and seven non-industry members that decides appeals from disciplinary, membership and exemptions decisions and rules on statutory disqualification applications. The NAC decision is the final decision of FINRA. The Securities and Exchange Commission (SEC) may review and modify FINRA's findings and sanctions. The parties have 30 days from receipt of the decision to file an appeal with the SEC.

Kirlin, Kirincic, Israel and Lindner have appealed the decision to the SEC. The sanctions against the firm and individuals remain in effect pending an SEC ruling.

## **FINRA Charges Six Former Brookstreet Securities Brokers with Fraud in Connection with Retail Sales of Collateralized Mortgage Obligations**

### **Many Customers Suffered Substantial Losses to Retirement Savings**

The Financial Industry Regulatory Authority (FINRA) announced charges against six brokers formerly associated with Brookstreet Securities Corporation, a now-defunct nationwide brokerage firm based in Irvine, CA, including fraud and making unsuitable recommendations to retail customers in the sale of collateralized mortgage obligations (CMOs).

FINRA's complaint alleges that from June 2004 through May 2007, the brokers sold CMOs to retail customers when the brokers themselves lacked a basic understanding of these complex and illiquid securities. CMOs are mortgage-backed securities, collateralized by pools of private home mortgages. The complaint alleges that the brokers failed to adequately investigate the CMO investments prior to selling the products and misrepresented or failed to disclose important information about the risks associated with an investment in CMOs. As a result, many customers were unaware of the speculative nature of the CMOs and suffered considerable losses. In a parallel action, the Securities and Exchange Commission filed a complaint in federal district court in West Palm Beach, FL today, lodging similar charges against 10 additional Brookstreet brokers.

The former Brookstreet brokers named in FINRA's complaint are:

- Thomas J. Brough, who became registered as a broker in 1995 and worked in Chicago. Brough is currently associated with another firm.
- Kevin M. Browne, who became registered as a broker in 1987 and worked in Northern California. Browne is currently associated with another firm.
- Eric R. Elliott, who became registered as a broker in 1985 and worked in Fort Lauderdale. Elliott is currently associated with another firm.
- Brian J. Falabella, who became registered as a broker in 2000 and worked in Long Island.. Falabella is currently associated with another firm.
- Robert N. Gest, Jr., who became registered as a broker in 1984 and worked in Fort Lauderdale. Gest is not currently associated with a firm.
- Jonathan J. Sheinkop, who became registered as a broker in 1996 and worked in Chicago. Sheinkop is not currently associated with a firm.

The complaint alleges that these brokers led their customers to believe that the CMOs were safe, government-backed securities. Customers were also told that they could achieve consistently high annual returns, in some cases up to 15 percent, regardless of market conditions. In fact, the complaint alleges that the CMOs purchased for the respondents' customers were generally not guaranteed by the government and were subject to uncertain cash flows and maturities, based on changes in interest rates.



According to the complaint, the customers generally acquired small “odd-lot” positions that could not be easily sold in the marketplace unless sold at a substantial discount or combined with other positions as part of a larger block. Moreover, the complaint charges that the respondents recommended the CMOs to their customers, many of whom were retired and/or unsophisticated, without carefully assessing whether these were suitable investments in light of the customers’ investment objectives, financial situation and other factors. Many of the respondents’ customers were seeking a safe, secure investment, including those who used retirement funds to invest in the CMOs. Instead, many suffered substantial losses to their retirement savings.

In addition to alleging fraud and unsuitable recommendations, the complaint charges the respondents with exercising discretionary authority in customer accounts without obtaining prior written authorization and failure to adhere to high standards of commercial honor and just and equitable principles of trade. Gest is also charged with failing to timely amend his Form U4 to disclose material information.

Under FINRA rules, a firm or individual named in a complaint can file a response and request a hearing before a FINRA disciplinary panel. Possible remedies include a fine, censure, suspension or bar from the securities industry, disgorgement of gains associated with the violations, and payment of restitution. The issuance of a disciplinary complaint represents the initiation of a formal proceeding by FINRA in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because this complaint is unadjudicated, interested persons may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.